# News Release

Immediate release

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## 2008 Automobile Deduction Limits and Expense Benefit Rates for Business

The Honourable Jim Flaherty, Minister of Finance, announced today the automobile expense deduction limits and the prescribed rates for the automobile operating expense benefit that will apply in 2008. Specifically:

- The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at $30,000 (plus applicable federal and provincial sales taxes) for purchases after 2007. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.

- The limit on deductible leasing costs will remain at $800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2007. This limit is one of two restrictions on the deduction of automobile lease payments. A separate restriction prorates deductible lease costs where the value of the vehicle exceeds the capital cost ceiling.

- The maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at $300 per month for loans related to vehicles acquired after 2007.

- The limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2008 will be increased by 2 cents to 52 cents per kilometre for the first 5,000 kilometres driven and 46 cents for each additional kilometre. For the Yukon Territory, Northwest Territories and Nunavut, the tax-exempt allowance will rise by 2 cents to 56 cents for the first 5,000 kilometres driven and 50 cents for each additional kilometre. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, insurance, maintenance and fuel costs.

- The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers for 2008 will increase by 2 cents to 24 cents per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase by 2 cents to 21 cents per kilometre. The amount of the benefit reflects the costs of operating an

automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income.

The Government reviews these rates and limits annually and announces any planned changes prior to the end of the calendar year. This practice ensures that businesses are aware of the new rates before the beginning of the year in which they apply.

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